



Written by [Raven Clabough](#) on November 28, 2011

U.K. Government, Financial Institutions Prepare for Collapse of Euro

The euro's endangerment comes as the International Monetary Fund, of which Britain is a large shareholder, may be forced to give Italy a rescue package that would allow its new Prime Minister, Mario Monti, time to implement tax increases and spending cuts.

Likewise, revelations indicate that a pact has been struck between German Chancellor Angela Merkel and French President Nicolas Sarkozy that did not include Britain, nor did it include countries outside the European Union. Under that plan, EU member states will be forced to have their budgets approved by the European Union before even being approved by their own national parliaments. Likewise, countries will have to sign on to new rules on the size of debts they may take on and will be sued in the European Court of Justice for any breach of those rules.



According to the U.K.'s *Daily Mail*, the "Franco-German plan will effectively mean an end to national sovereignty over budgets for countries remaining in the euro."

Most believe that the Franco-German plan will not meet the approval of all 27 EU member-states; however, France and Germany are exploring other ways to achieve their goal, including reaching an agreement among just the eurozone countries, a move that would reportedly "infuriate British Euroskeptics" because England still uses the Pound as its currency.

According to a British Senior Minister, British government plans assume that a collapse of the euro is only a matter of time. "It's in our interests that they keep playing for time because that gives us more time to prepare," the Minister told the *Daily Telegraph*.

A UK news report indicates that the British Foreign Office "is preparing contingency plans to help expats from the Costa del Sol and the Algarve who could be stranded without cash — or caught up in riots and civil unrest."

British Chancellor George Osborne observed,

Well, of course countries like Germany and France have now openly asked the question whether countries like Greece can stay in the Euro. It is a very, very difficult and dangerous situation. It is having a hugely chilling effect on the British economy at the moment. We have contingency plans for all situations. We have obviously stepped up that contingency planning in recent months. You would expect us to do that as the British government. But that doesn't mean we are predicting



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any particular outcome.

We're just ready for whatever the world, whatever the Eurozone throws at us. A disorderly collapse of the Eurozone would have a massive impact on the UK. I mean, for example, one in seven pounds we export goes to Ireland, Italy, Portugal, Spain and Greece — just those countries.

So in other words, it's a very important part of our economic strategy that we get the Eurozone moving as well.

In addition to the British government, financial institutions in the U.K. are also preparing for the worst. "We cannot be, and are not, complacent on this front," Andrew Bailey, a regulator at Britain's Financial Services Authority, affirmed this week, adding, "We must not ignore the prospect of a disorderly departure of some countries from the euro zone."

The *New York Times* [reported](#):

Banks including Merrill Lynch, Barclays Capital and Nomura issued a cascade of reports this week examining the likelihood of a breakup of the euro zone.... Major British financial institutions, like the Royal Bank of Scotland, are drawing up contingency plans in case the unthinkable veers toward reality, bank supervisors said Thursday. United States regulators have been pushing American banks like Citigroup and others to reduce their exposure to the euro zone. In Asia, authorities in Hong Kong have stepped up their monitoring of the international exposure of foreign and local banks in light of the European crisis.

"The euro zone financial crisis has entered a far more dangerous phase," analysts at Nomura wrote on Friday. Unless the European Central Bank steps in to help where politicians have failed, "a euro breakup now appears probable rather than possible," the bank said.

Vocal euroskeptic and leader of the British Tea Party movement Nigel Farage has often berated the euro and its proponents. On November 16, Farage, who has long predicted the failure and collapse of the euro, [levied](#) accusations against those in the European Union for their orchestration of the collapse taking place:

The Euro is a failure. And who is actually responsible, who is in charge? Well of course the answer is none of you, because none of you have been elected, and none of you have any democratic legitimacy for the roles you currently hold within this crisis. And into this vacuum, albeit reluctantly, has stepped Angela Merkel.... We are now living in a German-dominated Euro, something that the EuroProject was supposed to stop. Something that those who went before us actually paid a heavy price in blood to prevent. I don't want to live in a German dominated Euro and neither do the citizens of Europe.

Farage once again took the opportunity to point the finger at all the proponents of the euro, blaming them for the dire straits of the European economy and the member-states' loss of sovereignty. He concluded, "You should all be accountable for what you've done. You should all be fired."

While Farage is seeing this as an opportunity to finally abandon the failing euro, however; others are using the crisis as a means to advocate for a "globalist and internationalist perspective," [notes](#) *The New American's* Bob Adelman. According to Adelman, *The Economist* published a series of articles wherein it warned that the collapse of the euro would be so catastrophic that extreme measures ought to be considered, measures that Adelman dubbed to be "progressive regionalization."

Meanwhile, [many](#) contend that the condition of the U.S. economy is no better than that of Europe.



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